Hong Kong (Hang Seng Index)

Description

The Hang Seng Index is a free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong. The components of the index are divided into four subindices: Commerce and Industry, Finance, Utilities, and Properties. The index was developed with a base level of 100 as of July 31, 1964.

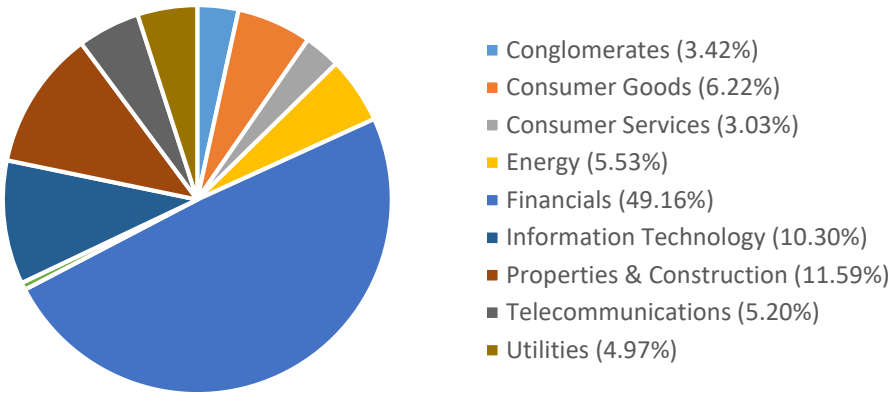
Source: www.bloomberg.com – 16.08.2019

Outlook

- Hong Kong is the 10th largest trading power and 3rd largest financial centre in the World
- Hong Kong continues to have solid public finances with an almost non-existent public debt
- Unemployment is extremely low (2.6%) and expected to remain at that figure through 2020

Source: www.nordeatrade.com – August 2019

Sector Breakdown



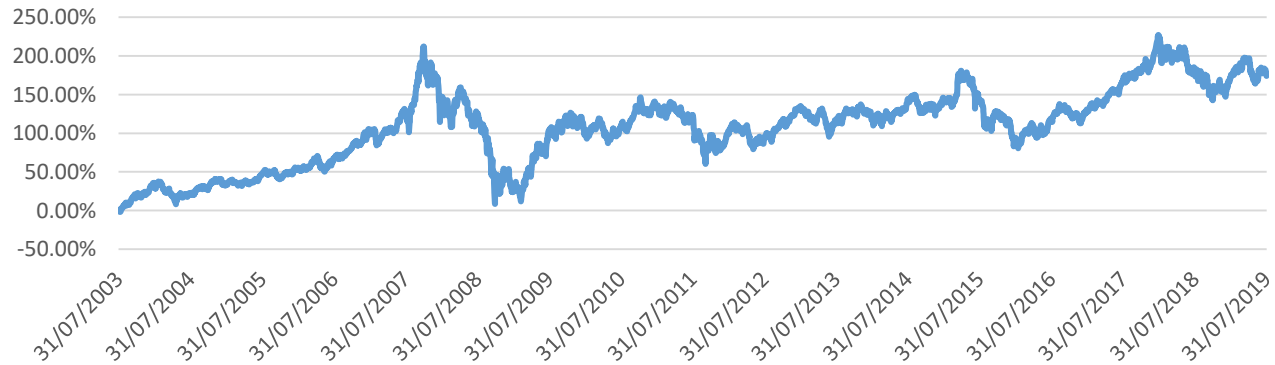
Source: www.hsi.com.hk – June 2019

Top 5 Constituents

Company	Sector	Index Weighting
AIA	Financials	10.64%
Tencent	Information Technology	9.96%
HSBC	Financials	9.64%
China Construction Bank	Financials	7.73%
PING AN	Financials	5.56%

Source: www.hsi.com.hk – August 2019

16 Years Past Performance



Past performance is not a reliable indicator of future performance and should not be used to assess the future returns or risks.
Data Source: Bloomberg 16.08.2019, Data period: 31.07.2003 to 31.07.2019

Back-Testing

Back-testing shows how the investment would have performed historically using data from previous potential strike dates. Although past performance is not an indication of future performance, it can give a factual insight into how the investment would have performed historically.

This 16 year back-test uses the historical data for a full 10 years of 6 year products that could reach the full term. The tables below show the results from three popular types of structured product, a Classic Autocall with memory coupon, an 80-60 Income Autocall with memory coupon and a 60-60 Income Autocall with no memory coupon. These results show how each would have performed historically if Hang Seng was the underlying. The back-test gives results from 2,501 scenarios.

Back-Testing Results

Classic Autocall (Memory Coupon) - 100% semi-annual autocall trigger from 12 months, 60% European style final barrier.

This structure will mature early and pay a coupon for each semester elapsed if, on any autocall observation date, including the final observation date, the underlying is at or above 100% of its initial value.

If the product has not autocalled, at the final observation date, if the underlying is below 100% but is at or above 60% of its initial level, full capital is returned. If the underlying is below 60% of its original level, capital return will be reduced on a 1-for-1 basis.

Autocall Test	
Total Tested	2,501
Autocalled	2,338
% Autocalled	93.48%
% Not Autocalled	6.52%
% Breached Final Barrier	0.00%

80-60 Income Autocall (Memory Coupon) - 80% semi-annual coupon trigger from 6 months with memory feature, 100% semi-annual autocall trigger from 12 months, 60% European style final barrier.

This structure will pay the coupon plus any previously missed coupons if, on any coupon observation date, the underlying is at or above 60% of its initial value.

This structure will mature early if, on any autocall observation date, the underlying is at or above 100% of its initial value.

If early maturity does not occur, at the final observation date, if the underlying is at or above 60% of its initial level full capital is returned. If any underlying is below 60% of its original level, capital return will be reduced on a 1-for-1 basis.

Memory Coupons	
Total Coupons Tested	8,153
Total Coupons Paid	8,009
Total Coupons Missed	144
% Paid	98.23%
% Missed	1.77%

Autocall Test	
Total Tested	2,501
Matured Early	2,338
% Matured Early	93.48%
% Reached Full Term	6.52%
% Breached Final Barrier	0.00%

60-60 Income Autocall (Non-Memory Coupon) - 60% semi-annual coupon trigger from 6 months, 100% semi-annual autocall trigger from 12 months, 60% European style final barrier.

This structure will pay the coupon if, on any coupon observation date, the underlying is at or above 60% of its initial value.

This structure will mature early if, on any autocall observation date, the underlying is at or above 100% of its initial value.

If early maturity does not occur, at the final observation date, if the underlying is at or above 60% of its initial level full capital is returned. If any underlying is below 60% of its original level, capital return will be reduced on a 1-for-1 basis.

Non-Memory Coupons	
Total Coupons Tested	8,153
Total Coupons Paid	7,911
Total Coupons Missed	242
% Paid	97.03%
% Missed	2.97%

Autocall Test	
Total Tested	2,501
Matured Early	2,338
% Matured Early	93.48%
% Reached Full Term	6.52%
% Breached Final Barrier	0.00%

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Data Source: Bloomberg 16.08.2019, Data period: 31.07.2003 to 31.07.2019

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